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MEMORANDUM ON THE ALLOCATION OF THE FEDERAL TAX BURDEN AND FEDERAL GRANTS-IN-AID BY STATE

Fiscal Year 1987

This memorandum presents a state-by-state comparison of Federal tax burdens with Federal grants-in-aid to state and local governments for fiscal year 1987. The tax burdens in this comparison total $102,934.5 million for all states and reflect the cost of the Federal grants programs only; total Federal tax burdens in fiscal 1987 were $830,536 million.

The tax burdens are estimates by the Tax Foundation, based on a special formula that measures the final geographic burden of taxes, as distinguished from the area of initial tax impact (the state from which the taxes are collected), as explained below.

The data on grants-in-aid are derived from "Federal Expenditures by State for Fiscal Year 1987," prepared by the Governments Division, Bureau of the Census, U.S. Department of Commerce. The Tax Foundation adjusts the U.S. total for Federal grants-in-aid, as shown in the Census report, by deducting figures for U.S. Territories, undistributed amounts, and for "shared revenues," such as receipts from public lands and Federal payments in lieu of taxes on Federal lands.

The 1987 Comparisons of Federal Tax Burdens and Federal Grants-in-Aid

Table 1 presents the results of these comparisons for fiscal 1987.

The cost of supporting grant programs fell most heavily on the residents of 18 states whose aggregate Federal tax burdens to support grant programs exceeded the amount of grants received by their respective state and local governments. As a whole, the 124 million residents of the "paying" states paid $56,048 million in Federal taxes to support grant programs while their state and local governments received $45,841 million in grants, an average Federal tax burden of $1.22 for each dollar of grants received. The 119 million residents of the other 32 states and the District of Columbia paid, on the average, 82 cents in Federal taxes for each dollar of aid received by their state and local governments--$46,887 million in Federal taxes for $57,094 million in Federal grants.

It should be emphasized that these comparisons of Federal tax burdens for aid payments per $1.00 of assistance do not actually indicate the entire costs which state and local governmemts incur for obtaining Federal grants. The comparisons, with few exceptions, do not take into account the costs to these governments of administering the programs for which the aid is granted, nor the amounts of matching funds which the state and local governments must make available out of their own revenues in order to qualify as recipients of these grants. It is estimated that state and local governments provide about 41 cents of matching funds for each $1.00 of Federal aid.

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Table 1
Federal Grants-in-Aid To State And Local Governments
And Estimated Federal Tax Burden For Grants
Fiscal Year 1987

State	Grants(a) ($Millions)	Percent of Total Tax Burden	Estimated Tax Burden for Grants(b) ($Millions)	Tax Burden per Dollar of Aid	
				Amount	Rank
Total	$102,934.5	100.00%	$102,934.5	$1.00	-
Alabama	1,510.3	1.23	1,266.1	.84	32
Alaska	605.4	.29	298.5	.49	50
Arizona	1,172.7	1.23	1,266.1	1.08	12
Arkansas	1,000.8	.68	700.0	.70	38
California	10,909.9	12.59	12,959.5	1.19	10
Colorado	1,105.7	1.36	1,399.9	1.27	6
Connecticut	1,489.0	1.97	2,027.8	1.36	4
Delaware	301.4	.30	308.8	1.02	17
Florida	3,151.0	4.91	5,054.1	1.60	1
Georgia	2,507.2	2.26	2,326.3	.93	27
Hawaii	459.7	.42	432.3	.94	25
Idaho	372.0	.30	308.8	.83	33
Illinois	4,466.8	5.28	5,434.9	1.22	8
Indiana	1,981.6	2.00	2,058.7	1.04	14
Iowa	1,089.6	.99	1,019.1	.94	26
Kansas	845.8	1.00	1,029.3	1.22	7
Kentucky	1,687.0	1.10	1,132.3	.67	41
Louisiana	1,914.1	1.39	1,430.8	.75	37
Maine	688.8	.39	401.4	.58	45
Maryland	2,254.1	2.21	2,274.9	1.01	18
Massachusetts	2,983.3	2.99	3,077.7	1.03	15
Michigan	4,196.2	3.97	4,086.5	.97	21
Minnesota	2,034.9	1.74	1,791.1	.88	29
Mississippi	1,253.3	.64	658.8	.53	48
Missouri	1,923.0	1.96	2,017.5	1.05	13
Montana	496.4	.26	267.6	.54	47
Nebraska	606.2	.57	586.7	.97	22
Nevada	382.2	.43	442.6	1.16	11
New Hampshire	388.1	.49	504.4	1.30	5
New Jersey	3,326.9	4.44	4,570.3	1.37	3
New Mexico	690.8	.46	473.5	.69	39
New York	11,932.0	8.75	9,006.8	.75	36
North Carolina	2,168.3	2.16	2,223.4	1.03	16
North Dakota	404.8	.23	236.7	.58	44
Ohio	4,381.3	4.25	4,374.7	1.00	19
Oklahoma	1,313.2	1.15	1,183.7	.90	28
Oregon	1,032.8	.97	998.5	.97	23
Pennsylvania	5,267.6	4.82	4,961.4	.94	24
Rhode Island	549.9	.41	422.0	.77	35
South Carolina	1,276.7	1.02	1,049.9	.82	34
South Dakota	436.0	.21	216.2	.50	49
Tennessee	1,890.8	1.60	1,647.0	.87	30
Texas	4,846.4	6.65	6,845.1	1.41	2
Utah	748.6	.47	483.8	.65	42
Vermont	313.5	.19	195.6	.62	43
Virginia	2,143.6	2.48	2,552.8	1.19	9
Washington	1,944.5	1.88	1,935.2	1.00	20
West Virginia	1,026.3	.54	555.8	.54	46
Wisconsin	2,154.2	1.82	1,873.4	.87	31
Wyoming	287.7	.19	195.6	.68	40
District of Columbia	1,024.4	.36	370.6	.36	51

(a) Excludes shared revenues and payments in lieu of taxes; includes general revenue sharing and trust fund aid.

(b) The tax burden for grants is assumed to equal grant payments.

Source: Tax Foundation computations based on data from the Treasury Department and U.S. Department of Commerce, Bureau of the Census.